

AR06

ANNUAL REPORT 1988

NORTH WEST TRUST COMPANY

Mission

Statement:

*To be an
efficient,
creative and
profitable trust
and financial
services
company
providing
exemplary
personal service
in response to
identified
customer needs.*

FINANCIAL HIGHLIGHTS

FOR THE YEAR

	1988	1987	Increase/ (Decrease)
Net Income after extraordinary income	\$ 9,082,000	\$ 8,448,000	7.50 %
Per common share & Class "A" share	\$ 0.34	\$ 0.31	7.50 %
Net Income before extraordinary income	\$ 6,657,000	\$ 8,448,000	(21.20)%
Per common share & Class "A" share	\$ 0.25	\$ 0.31	(21.20)%
Return on Average Shareholders' Equity	14.44%	15.58%	
Return on Average Assets	1.24%	1.13%	

AT YEAR-END

Total Assets	\$ 724,472,000	\$ 719,129,000	0.74 %
Mortgages, Loans & Leases	\$ 356,019,000	\$ 333,512,000	6.75 %
Deposits	\$ 650,948,000	\$ 654,775,000	(0.58)%
Shareholders' Equity	\$ 67,530,000	\$ 58,448,000	15.54 %

Mission

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*North West Trust
Pledge to our
Shareholders....*

*To be a visionary,
creative,
profitable trust
and financial
services company;
to govern our
business with
integrity and
the highest
standard of
professionalism.*

The year 1988 was one of progress and achievement for North West Trust Company. We are pleased to report that the year's financial results were right on target with our strategic business plan.

Net income for the year was \$9,082,000 compared with \$8,448,000 in 1987. Included in 1988 income was extraordinary income of \$2,425,000 from the sale of discontinued assets. Net income before the extraordinary income was \$6,657,000.

The two years of stable growth since the Province of Alberta and Canada Deposit Insurance Corporation restructured North West Trust, is very reassuring and supports the Company's mandate to develop a strong Alberta-based financial institution. Over this period, our shareholders' equity has grown from \$50,000,000 to \$67,530,000 – an increase of 35.1%.

Our total asset base has grown to \$724,472,000. The Company's prime business activity of mortgages and loans was up by 6.7% to \$356,019,000 – an increase of \$22,507,000 for the year.

Proposed changes to Alberta and federal legislation will create new challenges and significant opportunities in the dynamic financial services industry which will be reflected in our counsel and service to customers.

North West Trust will maintain its high level of commitment to:

- building strong client relationships
- providing services of the highest quality
- developing innovative solutions to client needs
- managing and expanding the Company on a sound and profitable basis.

The creation of regional divisions in Alberta, British Columbia and Manitoba/Saskatchewan has enhanced our responsiveness to clients across Western Canada by providing a more direct connection between the Senior Executives and our clients.

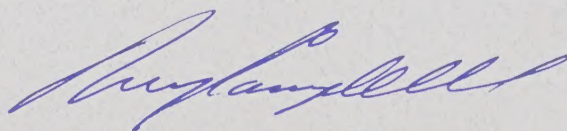
At last year's Annual General Meeting the Board was increased to twelve members and Douglas J. Evans, Q.C. of Lethbridge, Donald E. Farnell of Edmonton, Daniel U. Pekarsky of Vancouver and Donald S. Reimer of Winnipeg were elected as new directors. We welcome the new directors and thank the entire Board for their continued leadership and dedication.

In December 1988, the Province of Alberta formally completed the conversion of 21,866,667 Class "B" Preferred shares in North West Trust Company into an equal number of Common shares as provided for at last year's Special General Meeting.

The Company's success has been achieved largely through consistent efforts from a dedicated and highly capable professional staff and the continued support of our agency network. The directors wish to express sincere appreciation to employees for their valuable contribution throughout the past year and for their ongoing commitment to the Company.

We are encouraged by the continuing economic resurgence in Western Canada. With our strong capital base, highly focused strategic business plan and a dedicated group of employees, we are well positioned to be an even more active participant in the Western economy.

On behalf of the Board,



Gary G. Campbell, Q.C.
Chairman & Chief Executive Officer

REVIEW OF OPERATIONS

North West

Trust Pledge

to our

Customers....

To provide

superior service

and investment

expertise;

to produce

innovative

financial

products;

to become

Western

Canadians'

financial

institution of

choice.

Financial Performance

North West Trust Company set a 1988 net income goal of \$9,104,000 including a planned gain on the sale of discontinued assets. As a result of the close monitoring of business activities and adjusting to changes, management is proud to report actual net income of \$9,082,000.

In keeping with the strategic plan, as outlined at last year's Annual General Meeting, the Company concentrated much of its attention over the past year to strengthening the operational infrastructure. The costs associated with this process accounted for a significant portion of the \$2,270,000 increase in operating expenses incurred in 1988. This investment in the future will provide a solid foundation to support the ongoing objectives of sound growth and quality services and products.

Our 1988 profit of \$9,082,000 increased the capital base by 15.5% to \$67,530,000, which will support substantial growth in assets within prudent leverage guidelines. The Company's business strategy is to further strengthen its capital base through solid earnings and sound risk management programs.

Changes to Capital

At the Special General Meeting, held May 17, 1988, the shareholders approved the restructuring of the capital base to limit the issuance of new Class "B" and "C" Preferred shares to the present number issued and outstanding; to cancel the authorized but unissued Class "D" Preferred shares, and to increase the authorized number of Common shares to 100,000,000 without par value. During 1988, all the outstanding Class "B" Preferred shares were converted to Common shares of the Company, which brought the total of issued and outstanding Common shares to 24,946,807. No dividends were declared on any class of shares in 1988.

New Regional Structure

In keeping with the Corporate mission *"to be an efficient, creative and profitable trust and financial services company providing exemplary personal service in response to identified customer needs"*, management structure was reorganized to accelerate response to customer requests. Three Regional Divisions were created to service Alberta, British Columbia, and Manitoba/Saskatchewan. Each Division is responsible for coordinating and delivering all Company services to both retail and commercial clients in its geographic area.

The goal is to create a flexible organization structure that is responsive to the market place — one that will allow the development and implementation of strategies needed for North West Trust to compete and succeed in the kind of dynamic environment expected.

Growth and Risk Management

Fundamental to asset growth is the application of sound risk management principles and effective utilization of advanced information technologies and operating efficiencies. This ensures the development of quality assets and delivery of unparalleled customer service.

To improve efficiency in the processing of loan requests, management has been granted increased approval authorities within prudent lending guidelines. The Company's Credit and Loan Administration group uses sophisticated computer systems and accounting controls to monitor new and existing accounts. Under the new organizational structure, the group will also conduct quality control audits of each lending unit to ensure the maintenance of sound credit decisions.

The overall risk management process is closely monitored by the Board's Mortgage and Loan Committee. All lending policies, authority levels and regional and industry mix guidelines are regularly reviewed by the Committee, and amended to reflect changing economic conditions. The Committee is also responsible for ensuring that adequate loss provisions are set up where necessary.

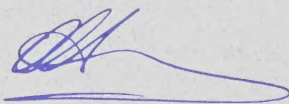
The Company's Audit Services group, which has direct access to the Audit Committee of the Board, conducts reviews of all branches and head office departments of North West Trust to ensure compliance with Company policy and procedures. Audit Services works very closely with the shareholders' external auditors and the regulatory authorities.

Productivity

The continuing development of a fully integrated computer system will significantly enhance productivity. A conversion of the mortgage and loan systems to the new integrated in-house system is nearing completion. The final phases of converting the general accounting and supplementary reporting operations are scheduled for completion by the end of 1989. When all systems are converted and integrated, the Company will be even more responsive in providing clients with complete information on their financial dealings with North West Trust.

Outlook

North West Trust is focusing much of its energy in 1989 to expanding its consumer client base. Competition in the consumer area is intense with a host of players: other trust companies, banks, credit unions, life insurance companies, investment houses, retailers, consumer credit and finance companies. The challenge to attract and retain individual clients will continue to intensify. The key to success in this market is the delivery of innovative solutions by seasoned experts. Product development programs which integrate new ideas, effective systems and efficient customer service, will continue to distinguish North West Trust in the financial services marketplace.



Donald E. Farnell
President & Chief Operating Officer

*North West
Trust Pledge
to our
Employees....*

*To demonstrate
pride in our
employees;
to provide
leadership and
to motivate
high
productivity
and
performance;
to create an
environment
where
individual
merit is
recognized and
rewarded.*

North West Trust Company is committed to providing superior quality service in assisting our customers to achieve their financial goals. The dedication and expertise of the 182 men and women making up the North West Trust team has created a healthy, profitable organization that thrives on customer satisfaction.

North West Trust Company is incorporated under the Trust Companies Act of the Province of Alberta, and has its headquarters in Edmonton.

Since the establishment of the Edmonton Main Branch in 1958, North West Trust has developed into a solid Alberta-based financial institution offering a full range of deposit and loan services through its network of thirteen branches strategically located in Alberta, British Columbia, Saskatchewan and Manitoba. Four Commercial Financial Centres located in major Western Canadian cities provide custom financing and leasing solutions to corporate clients. Our office network is supplemented by more than 600 Bonded Agents representing the Company's deposit products in rural areas.

The Company is also licensed to operate in New Brunswick and in the Yukon and Northwest Territories.

The Company offers a full range of financial products and services tailored to meet both corporate and individual customers' needs.

North West Trust Company's positive view to the future, combined with progressive, innovative management and a commitment to customer satisfaction, provides our customers with unparalleled quality financial service.

EXECUTIVE OFFICERS

Gary G. Campbell, Q.C.
Chairman & Chief Executive Officer

Donald E. Farnell
President & Chief Operating Officer

Thomas H. LaPointe
Senior Vice-President
& Chief Financial Officer

George L. Jackson
Board Vice-President

David B. Margolus
Secretary

NWT LEASING DIVISION

Graham A. Niel
General Manager
NWT Leasing

REGIONAL DIVISIONS

ALBERTA

Daniel O. McCormack
Regional Vice-President
Alberta

Commercial Centre

Ronald S. Pillott
Assistant Vice-President
Commercial Lending
Alberta North

Eric D. Lawson
Assistant Vice-President
Commercial Lending
Alberta South

Retail Branches

Douglas M. Gess
Branch Manager
Edmonton Main

Emil R. Motoska
Branch Manager
Edmonton Southside

Denis R. Marson
Branch Manager
Calgary

R. Dale Butler
Branch Manager
Lethbridge

Orest L. Filewych
Branch Manager
Camrose

BRITISH COLUMBIA

Charles A. Hughes
Regional Vice-President
British Columbia

Commercial Centre

Kenneth F. Dermody
Assistant Vice-President
Commercial Real Estate
Lending

M. Kent Billingsley
Manager
Corporate Lending

Retail Branches

Paul J. Drescher
Branch Manager
Vancouver

Greg C. Archibald
Branch Manager
Victoria

Gregory H. Prenty
Branch Manager
New Westminster

MANITOBA/ SASKATCHEWAN

Lorne W. Kendall
Regional Vice-President
Manitoba/Saskatchewan

Commercial Centre

Walter Schmidt
Manager
Commercial Lending

Retail Branches

Wilma L. Halstrom
Branch Manager
Saskatoon

Orest W. Holowka
Branch Manager
Yorkton

Warren K. Massier
Branch Manager
Regina

Heinz H. Kleist
Branch Manager
Winnipeg

CORPORATE DIRECTORY

CORPORATE DEPARTMENTS

BUSINESS DEVELOPMENT

Gordon Conway
Vice-President
Commercial Business Development

John D. Chubb
Assistant Vice-President
Retail Business Development

TRUST SERVICES

John S. Davediuk
Vice-President
Trust Services

CREDIT AND LOAN ADMINISTRATION

Harry D. Klassen
Vice-President
Corporate Credit

William E. Begley
Assistant Vice-President
Loan Administration

Leonard C. Holmstrom
Assistant Vice-President
Commercial Credit

OPERATIONS

William E. Scharff
Vice-President
Financial Services

CORPORATE ADMINISTRATION

M. Wayne Bond
Vice-President
Corporate Administration

CONTROLLER

Erwin Granson
Vice-President
Controller

COMPUTER INFORMATION SERVICES

Terry V. Nyquvest
Vice-President
Computer Information Services

Lars K. Christensen
Assistant Vice-President
Management Information Systems

Robert T. Coutts
Assistant Vice-President
Project Development - Lending

AUDIT SERVICES

Roger J. Pogue
Vice-President
Audit Services

The management of North West Trust Company is responsible for the content of these financial statements. To ensure reliability, integrity and fairness in recording and reporting results, management has selected appropriate accounting principles and made judgments and estimates consistent with generally accepted accounting principles in Canada.

The Company's accounting systems and related internal controls are designed, and supporting procedures are maintained, to provide reasonable assurance of the completeness and accuracy of the financial records and of the safety of all assets controlled by the Company. These systems include the communication of policies and standards of business conduct throughout North West Trust Company to prevent conflicts of interest and unauthorized disclosure of financial information. The system of internal controls is regularly reviewed and evaluated using internal audit programs which are subject to scrutiny by shareholders' auditors. These reviews are performed by staff who have direct access to the Audit Committee of the Board.

The Federal Office of the Superintendent of Financial Institutions and the Alberta Provincial regulators conduct independent annual examinations of the Company's affairs to ensure it operates within the guidelines of the Canada Deposit Insurance Corporation, within the provisions of governing legislation and that the interests of depositors and the public are safeguarded.

The Board of Directors exercises its responsibility for the financial statements to shareholders through the Audit Committee which is comprised of directors who are not officers or employees of the Company. The Audit Committee reviews the financial statements with management and the shareholders' auditors before they are approved by the Board of Directors and presented to the shareholders.

Touche Ross & Co., the independent auditors appointed by the shareholders of North West Trust Company, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their related findings as to the integrity of the Company's financial reporting and the adequacy of the system of internal controls.

The Shareholders, North West Trust Company

We have examined the balance sheet of North West Trust Company as at December 31, 1988 and the statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Chartered Accountants

Edmonton, Alberta
February 21, 1989

BALANCE SHEET

Financial
Statements of
North West
Trust Company

as at December 31

	1988	1987
	(\$ thousands)	(\$ thousands)
ASSETS		
Cash and short term investments	\$ 100,373	\$ 176,183
Marketable securities (Note 3)	184,016	141,731
Notes receivable (Note 4)	79,306	64,500
Mortgages, loans and leases (Note 5)	356,019	333,512
Other investments (Note 6)	979	—
Premises and equipment (Note 7)	2,317	1,601
Other assets	1,462	1,602
	\$ 724,472	\$ 719,129
LIABILITIES		
Deposits		
Demand and short term	\$ 112,717	\$ 80,258
Guaranteed investment certificates	538,231	574,517
	650,948	654,775
Accounts payable and accrued liabilities	5,994	5,906
	656,942	660,681
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	50,000	50,000
Retained earnings	17,530	8,448
	67,530	58,448
	\$ 724,472	\$ 719,129

On behalf of the Board:



Director



Director

STATEMENT OF INCOME AND RETAINED EARNINGS

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for the year ended December 31

	1988	1987
	(Note 2)	
	(\$ thousands)	(\$ thousands)
Investment income		
Cash and short term investments	\$ 12,082	\$ 19,721
Marketable securities	15,921	10,620
Notes receivable (Note 4)	8,120	6,035
Mortgages, loans and leases	35,880	34,443
	72,003	70,819
Cost of funds		
Demand and short term	6,250	5,251
Guaranteed investment certificates	49,029	49,909
	55,279	55,160
Net investment income	16,724	15,659
Other income		
Mortgage administration fees (Note 13)	763	1,251
Other mortgage and loan fees	561	643
Trust fees	182	257
Other	482	423
	1,988	2,574
Net income before operating expenses	18,712	18,233
Operating expenses		
Salaries and employee benefits	5,935	4,751
Premises	1,543	1,692
Other	4,577	3,342
	12,055	9,785
Net income before extraordinary item	6,657	8,448
Extraordinary income (Note 14)	2,425	—
Net income	9,082	8,448
Retained earnings, beginning of year as restated (Note 2)	8,448	—
Retained earnings, end of year	\$ 17,530	\$ 8,448
Earnings per common share and Class "A" share (Note 1g)		
- before extraordinary item	\$ 0.25	\$ 0.31
- including extraordinary item	\$ 0.34	\$ 0.31

*Financial
Statements of
North West
Trust Company*

STATEMENT OF CHANGES IN FINANCIAL POSITION

Financial
Statements of
North West
Trust Company

for the year ended December 31

	1988	1987
	(\$ thousands)	(Note 2) (\$ thousands)
OPERATING ACTIVITIES		
Cash provided by (used for)		
Net income before extraordinary item	\$ 6,657	\$ 8,448
Depreciation	560	269
Amortization of discounts	(3,241)	(6,492)
Other	(89)	169
	3,887	2,394
Extraordinary item (Note 14)	2,425	—
	6,312	2,394
Deposits	472	(48,594)
Operating investment activities		
Marketable securities	(43,660)	(92,747)
Mortgages, loans and leases	(21,836)	(12,601)
Notes receivable	(14,805)	(1,649)
	(80,301)	(106,997)
Changes in accounts receivable, other assets and accounts payable	(104)	(1,717)
	(73,621)	(154,914)
CAPITAL INVESTMENT ACTIVITIES		
Cash provided by (used for)		
Office premises and equipment	(1,276)	(1,017)
Other investments	(913)	—
	(2,189)	(1,017)
CAPITAL REHABILITATION FINANCING ACTIVITIES		
Cash provided by (used for)		
Discontinued business activities	—	290,052
Notes receivable	—	(62,851)
Repayment of subordinated notes	—	(57,625)
Share capital issued	—	123,225
	—	292,801
Increase (decrease) in cash and short term investments	(75,810)	136,870
Cash and short term investments, beginning of year	176,183	39,313
Cash and short term investments, end of year	\$ 100,373	\$ 176,183

December 31, 1988

1. Summary of significant accounting policies

a) Marketable securities

Bonds are stated at amortized cost plus accrued interest. Stocks are stated at cost plus dividends receivable. A provision for losses is provided where a decline in market value represents other than a temporary diminution of value.

b) Notes receivable

Notes receivable are stated at cost plus accrued interest which does not exceed net realizable value.

c) Mortgages, loans and leases

Mortgages and loans are stated at amortized cost, which includes accrued interest, property taxes and other charges where applicable less provision for losses. Mortgage and loan premiums, discounts and fees are amortized to income over the term of the mortgage or loan. Leases are stated at gross rentals receivable net of unearned income and provision for losses. Income is recognized over the expected term of the lease at the effective yield rate.

Mortgages, loans and leases are reviewed on a regular basis and, if required, an appropriate provision is recorded in the Company's accounts for estimated losses. Non-performing investments are stated at estimated net realizable value. All mortgages, loans and leases which have reached 90 days in arrears, or which in management's judgment there is evidence of deterioration in the borrower's financial condition, are classified as non-performing, and all unpaid interest income is reversed and revenue is taken into earnings only as collected.

d) Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is based on the estimated useful lives of the assets and is calculated using a straight-line or diminishing-balance method as considered most appropriate for each type of asset.

e) Agents' commissions

Agents' commissions on deposits sold are deferred and amortized over the term of the deposit.

f) Pension costs

Pension expenses consist of actuarially computed costs using management's best estimate and assumptions of pension benefits in respect of current year's service, imputed interest on plan assets and on accumulated benefits, with any experience gains or losses being amortized over the average remaining service life of the employee group. The difference between the actuarial present value of the accrued pension obligation and the market value of pension fund assets at June 30, 1987 is also being amortized over the average remaining service life of the employee group.

g) Earnings per common share and Class "A" share

Earnings per common share and Class "A" share are calculated on the basis that all Class "B" Preferred shares had been converted at the beginning of the year (Note 9). In addition, the calculation excludes any provision for dividends on the Class "C" Preferred shares.

2. Change in accounting policies

During 1988 the Company changed its accounting policies as follows:

- a) Agents' commissions on deposits sold, which were previously expensed in the year of sale, are now deferred and amortized over the term of the deposit.
- b) Certain mortgage and loan fees, formerly brought into income in the year received, are now deferred and amortized over the term of the related mortgage and loan.

The changes have been applied retroactively to January 1, 1987, resulting in an increase in 1988 net income of \$16,000 and an increase in 1987 net income and retained earnings of \$304,000, previously reported as \$8,144,000.

3. Marketable securities

	1988		1987	
	Cost	Market	Cost	Market
	(\$ thousands)		(\$ thousands)	
Bonds				
Municipal	\$ 936	\$ 924	\$ —	\$ —
Government of Canada	18,593	17,939	17,237	16,452
Provincial	40,855	39,987	17,122	16,919
Corporate	106,488	104,149	95,067	93,379
	166,872	162,999	129,426	126,750
Stocks				
Preferred	610	595	322	157
Common	16,534	16,390	11,983	10,969
	\$ 184,016	\$ 179,984	\$ 141,731	\$ 137,876

4. Notes receivable

The notes receivable are due from 354713 Alberta Ltd., bear interest at prime and are due 90 days after demand but not later than March 19, 1992. All notes carry the indemnity of the Province of Alberta. During the year the Company received interest income thereon of \$8,120,000 (1987 - \$6,035,000).

5. Mortgages, loans and leases

	1988	1987
	(\$ thousands)	(\$ thousands)
Mortgages	\$ 324,002	\$ 308,685
Consumer and collateral loans	22,472	20,473
Lease contracts	9,545	4,354
	\$ 356,019	\$ 333,512

During 1987 the Province of Alberta, the Company and 354713 Alberta Ltd., a company owned by the Province of Alberta, entered into an agreement which provides, subject to the consent of the Province of Alberta, for the Company to cause 354713 Alberta Ltd. to purchase at book value up to \$50 million of certain assets at any time prior to July 1, 1992.

The Company has been indemnified by the Province of Alberta from any loss in regard to the obligation of 354713 Alberta Ltd. During the year the Company sold assets totalling \$10,480,000 (1987 - \$912,000) to 354713 Alberta Ltd. under this agreement. The amount available to the Company under this agreement is \$38,608,000 as at December 31, 1988 (1987 - \$49,088,000).

As at December 31, 1988, the Company's non-performing mortgages, loans and leases, other than those covered by the above agreement, totalled \$476,000 (1987 - Nil).

6. Other investments

The Company accounts for its 50% equity investment in an investment and management company, made in May 1988, under the equity method of accounting whereby the Company's share of earnings of \$67,000 is included in other income and the investment account is increased by a like amount, and any dividends when received will reduce the investment account. During the year in the normal course of business the Company paid, at market rates, investment fees to this company in the amount of \$221,000 (1987 - \$112,000).

7. Premises and equipment

	1988 (\$ thousands)	1987 (\$ thousands)
Land	\$ 144	\$ 144
Buildings	152	152
Leasehold improvements	845	386
Equipment (furniture, office and computer)	2,380	1,626
	3,521	2,308
Accumulated depreciation and amortization	(1,204)	(707)
	\$ 2,317	\$ 1,601

Depreciation and amortization included in expenses for 1988 total \$560,000 (1987 - \$269,000).

8. Income taxes

The Company is exempt from income taxes pursuant to section 149 of the Income Tax Act. The losses available to carry forward in the approximate amount of \$48,000,000 at December 31, 1988, (1987 - \$52,000,000) would only be relevant in the event the Company ceases to be exempt.

9. Share capital

At the Special General Meeting of the Shareholders held on May 17, 1988, the following changes to the Company's authorized share capital were approved:

- (a) cancellation of 20,600,000 unissued common shares without par value;
- (b) cancellation of 8,133,333 unissued Class "B" Preferred shares with a par value of \$3 each;
- (c) cancellation of 23,750 unissued Class "C" Preferred shares with a par value of \$100 each;
- (d) cancellation of 30,000,000 unissued Class "D" Preferred shares with a par value of \$3 each;
- (e) creation of an additional 96,919,860 common shares without par value which may be issued for the maximum aggregate price or consideration of \$298,217,210 and which rank pari passu with existing authorized common shares.

On December 5, 1988, Her Majesty the Queen in Right of Alberta (the "Province") gave the Company a Notice of Conversion whereby the 21,866,667 Class "B" Preferred shares held by the Province were converted into an equal number of common shares.

The following is a summary of the authorized, issued and outstanding share capital of the Company as at December 31, 1988 after giving effect to the above changes:

		(\$ thousands)
Authorized		
576,250 Class "C" Preferred shares with a par value of \$100 each		
21,866,667 Class "B" Preferred shares with a par value of \$3 each		
2,070,290 Class "A" Non-Voting shares with a par value of \$1 each		
100,000,000 common shares without par value, which may be issued for		
a maximum aggregate consideration of \$300,000,000		
Issued and Outstanding		
576,250 Class "C" Preferred shares	\$	46,146
2,070,290 Class "A" Non-Voting shares		2,070
24,946,807 Common shares		1,784
	\$	50,000

The terms of issue of all outstanding shares are as follows:

Class "C" Preferred shares have no general voting rights and carry a fixed non-cumulative dividend as and when declared by the Board of Directors of 7% per annum of the par value. Class "C" Preferred shares may be redeemed at the option of the Company at par value plus any accrued and unpaid dividends, excluding interest thereon to the redemption date, and rank in priority to all other classes of shares.

Class "A" Non-Voting shares are entitled to receive in each fiscal year, when and as declared by the Board of Directors (after all dividends for such fiscal year and applicable interest payable on Class "C" Preferred shares have been paid), non-cumulative dividends at the rate of 3¢ per annum. No dividends shall be declared and paid or set aside for payment on the common shares in any fiscal year unless and until the dividends at the rate of 3¢ per share are paid on the Class "A" Non-Voting shares. Thereafter, dividends of up to 3¢ per share may be paid on the common shares and thereafter any further sums, which the Company declares for payment of dividends in such fiscal year shall be paid in equal amounts per share on all Class "A" Non-Voting shares and common shares without preference or distinction. In accordance with the terms of issue of the Class "A" Non-Voting shares, as dividends have not been paid on them for two consecutive years, these shares became voting shares as at December 31, 1986 and will continue to be voting shares until such time as dividends have been paid on them at the prescribed rate for two consecutive years.

10. Commitments and contingencies

Contractual obligations in respect of operating leases for premises expiring at various dates to 1998 amount to \$4,573,000. Rent paid in 1988 amounted to \$1,338,000 (1987 - \$1,492,000). The future minimum payments under the terms of all the operating leases for the next five years are:

	(\$ thousands)
1989	\$ 1,199
1990	1,214
1991	1,119
1992	671
1993	150

11. Provision for rehabilitation

Under a 1987 rehabilitation agreement the Company provided a reserve to establish an acceptable interest rate spread between its interest bearing assets and liabilities and a reserve for extraordinary costs to complete the rehabilitation plan and to reorganize operations. During the year \$3,047,000 (1987 - \$6,120,000) was amortized into income from the interest spread reserve and \$1,515,000 (1987 - \$2,067,000) was utilized for reorganization costs from the restructuring reserve. At December 31, 1988, the unamortized balance of the interest spread reserve was \$3,426,000 and the balance in the reorganization reserve was \$957,000.

12. Pension plan

North West Trust Company maintains a defined benefit pension plan covering substantially all of its employees. Based on the latest actuarial report prepared as of June 30, 1987 and using management's best estimate assumptions, the present value of the accrued pension benefits as at December 31, 1988 amounted to \$314,000 (1987 - \$357,000) and the market value of the net assets available to provide these benefits was \$364,000 (1987 - \$407,000).

13. Related party transactions

Related party transactions, other than those disclosed in notes 4, 5, 6 and 14 are as follows:

- a) Under a purchase agreement relating to Heritage Savings and Trust Company, the Company sold at book value \$4,050,000 in assets to 354713 Alberta Ltd.
- b) In normal course of business the Company received mortgage administration fees of \$763,000 (1987 - \$1,251,000) from 354713 Alberta Ltd. These fees were based on market rates for providing similar services.

14. Extraordinary item

During the year, the Company realized a one-time gain of \$2,425,000 in satisfaction of an agreement to participate in the proceeds from the sale of North West Trust Company discontinued assets sold through 354713 Alberta Ltd.

15. Comparative figures

The prior year comparative figures have been restated to conform with the current year's presentation.

BOARD OF DIRECTORS

Gary G. Campbell, Q.C.
Chairman & Chief Executive Officer
North West Trust Company
Edmonton, Alberta

Donald E. Farnell
President & Chief Operating Officer
North West Trust Company
Edmonton, Alberta

Douglas J. Evans, Q.C.
Associate, Patterson North
Law Firm
Lethbridge, Alberta

Zane Feldman
President
Efmark Group of Companies Ltd.
Edmonton, Alberta

George L. Jackson, F.I.C.B.
Director
Calm Air International Inc.
Edmonton, Alberta

Mrs. Mary Lobay, C.M., B.Ed., M.Ed.
Educator and Community Worker
Edmonton, Alberta

Dr. Demitro Melnyk, M.D.
Medical Doctor
Edmonton, Alberta

Daniel U. Pekarsky
President
The Corporate Advisory Group Inc.
Vancouver, British Columbia

Robert G. Peters
President
Peters & Company Ltd.
Calgary, Alberta

Dr. D.S. Reimer
Chairman, President and
Chief Executive Officer
Reimer Express Enterprises Ltd.
Winnipeg, Manitoba

Donald H. Wheaton
President
Don Wheaton Ltd.
Edmonton, Alberta

Roy G. Wilson
President
Devstar Properties Ltd.
Calgary, Alberta

EXECUTIVE COMMITTEE

The Executive Committee meets monthly to provide leadership in setting strategic objectives for the Company and to consider and approve proposed actions not within management authority. Between the regular quarterly meetings of the Board, this Committee exercises all the powers of the Board except those which cannot by law be delegated. It monitors Company activities to ensure adherence to general corporate policies and procedures.

Members:

Gary G. Campbell, Q.C. (Chairman)
Donald E. Farnell
George L. Jackson, F.I.C.B.
Daniel U. Pekarsky
Robert G. Peters

AUDIT COMMITTEE

The Audit Committee meets four times per year to review and approve the Company's quarterly financial statements, and to review the annual financial statements and the financial content of other reports for recommendation of their approval by the Board. This Committee monitors the appropriateness of accounting policies and financial reporting used by the Company and reviews the scope and objectives of the internal audit plans and the performance and reports of the internal Audit Services Department. It also maintains direct contact with the shareholders' auditors to review the terms and scope of their annual audit and their findings

Members:

Mrs. Mary Lobay, C.M., B.Ed., M.Ed.
(Chairman)
Douglas J. Evans, Q.C.
Roy G. Wilson

MORTGAGE AND LOAN COMMITTEE

The Mortgage and Loan Committee meets at least twice monthly to approve individual mortgages and loans which are outside management's level of authority. The Committee determines the Company's underwriting policies and recommends to the Board approval levels for management. On a monthly basis it reviews the Company's mortgage and loan portfolios to ensure compliance with lending policies, to monitor portfolio management and to assess the adequacy of any required loan loss provisions. The Committee regularly reviews all policies, authorities and underwriting practices to ensure sound risk management.

Members:

George L. Jackson, F.I.C.B. (Chairman)
Gary G. Campbell, Q.C.
Zane Feldman
Mrs. Mary Lobay, C.M. B.Ed., M.Ed.
Roy G. Wilson

HUMAN RESOURCES COMMITTEE

The Human Resources Committee meets as required to review the Company's compensation plans and policies, and to make recommendations for approval by the Board of any changes or alterations. This Committee recommends the appointment and compensation of officers of the Company and reviews the personnel organization plan and duties and responsibilities for all employees.

Members:

Donald H. Wheaton (Chairman)
Gary G. Campbell, Q.C.
Donald S. Reimer

North West Trust Company provides a full range of individually tailored financial services, enabling customers to meet their personal and corporate financial needs.

DEPOSIT PRODUCTS

Investor Account
This combined Savings and Chequing account earns a premium rate of interest **on every dollar** for each day the minimum balance exceeds \$3,000. If the balance falls below \$3,000, the Investor still earns a competitive daily interest savings rate. There is no change for chequing privileges when a minimum balance of \$1,000 is maintained.

T-Bill Savings Account
The T-Bill Savings Account pays daily interest at money market rates on balances exceeding \$7,500 and higher rates on balances over \$25,000. Interest rates are set each week according to the Bank of Canada's 91-day Treasury Bill auction. Interest is calculated daily, paid and compounded monthly.

56 Plus Plan
This plan features a variety of services specially designed to meet the needs of our customers who have reached the age of fifty-six. 56 Plus customers are entitled to bonus interest on both Investor Accounts and GIC's, discounts on Safety Deposit Box rentals, and no service charge on travellers cheques, money orders, personalized cheques or on payment of utility bills.

Personal Chequing Account
Each month, customers receive their cancelled cheques along with an itemized monthly statement. There is no service charge for chequing privileges based on a minimum monthly balance of \$1,000.

Guaranteed Investment Certificates
Guaranteed Investment Certificates are secure investments yielding a high return. Customers may select the term, ranging from 60 to 364 days or 1 to 5 years. GIC's feature guaranteed interest for the length of the term and, subject to the amount invested, customers may choose the interest payment frequency that meets their individual financial needs.

Short Term Deposits
For maximum flexibility in investment planning, Short Term Deposits pay high interest on funds deposited for 30 to 59 days. After 30 days, funds can be left on deposit at the guaranteed rate for the remaining 29 days, or withdrawn on demand.

RETIREMENT INCOME PLANNING

Registered Retirement Savings Plan
From the North West Trust range of retirement savings programs, customers may select a Short Term Plan from 30 to 364 days, a Fixed Term Plan from 1 to 5 years, or a Flexible Plan with interest calculated on the minimum daily balance.

Group RRSP Plans
For companies without company pension plans, Group RRSP's allow employees the opportunity to provide for retirement income through payroll deducted contributions, while reducing taxable income at source.

PERSONAL FINANCING SERVICES

Best Line of Credit

Best Line of Credit Customers are entitled to a pre-authorized credit limit, allowing cheques to be written to obtain funds whenever the need arises.

Personal Loans

North West Trust Personal Loans are individually designed to satisfy the unique financial requirements of each customer. A full range of payment terms is available at competitive rates and, for a maximum convenience, in most cases loans are approved the same day.

Residential Mortgage Lending

North West Trust offers the personal touch in mortgage financing. Residential loans are custom tailored for each client at competitive rates.

CUSTOMER SERVICES

Travellers Cheques and Money Orders

Travellers cheques and money orders may be purchased at all North West Trust Branches. Both are available in Canadian and U.S. funds, in a wide variety of denominations.

Deposit by Mail

As a convenience to customers, postage-paid envelopes and deposit slips are available at every North West Trust Branch. Deposits may be made to any account by dropping the envelopes in the mail.

Safety Deposit Boxes

Safety Deposit Boxes provide personally controlled security of valuables at low cost. Safety Deposit Boxes may be rented at most Branches of North West Trust.

Payment of Utility Bills

Customers may pay most utility bills at any North West Trust Branch.

COMMERCIAL FINANCIAL SERVICES

Commercial Mortgage Lending

The full spectrum of mortgage lending is available at North West Trust. Commercial and Interim Construction Loans are custom designed to provide mortgage financing at competitive rates.

Term Lending

Business will find a flexible, competitive and professional approach to creating innovative solutions to their long term financing needs at North West Trust. Interest rates can be fixed or floating, a combination of both, or floating with an option to fix in the future.

Leasing

North West Trust offers a competitive service for leasing of all types of business equipment. Leases are individually tailored to each customer's requirements. Lease lines of credit can be established to simplify funding of future asset acquisitions on pre-agreed terms.

Portfolio Management

North West Trust provides sound management of commercial and residential mortgage portfolios. The Company additionally offers complete administration and loan accounting expertise.

OFFICE DIRECTORY**HEAD OFFICE**

1800 T-D Tower, Edmonton Centre
10205 - 101 Street
Edmonton, Alberta T5J 4G1
Phone (403) 429-9300
FAX (403) 429-9331

COMMERCIAL FINANCIAL CENTRES**Edmonton**

1800 T-D Tower, Edmonton Centre
10205 - 101 Street
Edmonton, Alberta T5J 4G1
Phone (403) 429-9300
FAX (403) 429-9331

Calgary

PanCanadian Plaza
150 - 95th Avenue, S.W.
Calgary, Alberta T2P 3H9
Phone (403) 264-5423
FAX (403) 264-2550

Winnipeg

234 Portage Avenue
Winnipeg, Manitoba R3C 0B1
Phone (204) 947-0631
FAX (204) 957-5988

Vancouver

750 - 601 W. Broadway
Vancouver, B.C. V5Z 4C2
Phone (604) 873-0846
FAX (604) 873-1172

RETAIL BRANCHES

Calgary

PanCanadian Plaza
150 - 9th Avenue, S.W.
Calgary, Alberta T2P 3H9
Phone (403) 264-5423
FAX (403) 264-2550

Camrose

4895 - 50 Street
Camrose, Alberta T4V 1P6
Phone (403) 672-7769

Edmonton

10205 Jasper Avenue
Edmonton, Alberta T5J 3R4
Phone (403) 428-1212

10166 - 100 Street
Edmonton, Alberta T5J 0P5
Phone (403) 422-6211

7933 - 104 Street
Edmonton, Alberta T6E 4C9
Phone (403) 433-4286

Lethbridge

College Mall
2025 Mayor Magrath Drive
Lethbridge, Alberta T1K 1P6
Phone (403) 328-9199

Winnipeg

234 Portage Avenue
Winnipeg, Manitoba R3C 0B1
Phone (204) 947-0631
FAX (204) 957-5988

Regina

1920 Broad Street
Regina, Sask. S4P 3V2
Phone (306) 565-0660
FAX (306) 565-2499

Saskatoon

129 - 2nd Avenue North
Saskatoon, Sask. S7K 2A9
Phone (306) 934-6161
FAX (306) 664-3306

Yorkton

Parkland Mall
45 - 277 Broadway Street East
Yorkton, Sask. S3N 3G7
Phone (306) 782-1002
FAX (306) 786-7550

Vancouver

803 Hornby Street
Vancouver, B.C. V6Z 1T9
Phone (604) 685-0451
FAX (604) 685-4495

Victoria

1113 Blanshard Street
Victoria, B.C. V8W 2H7
Phone (604) 386-3534

New Westminster

632 Columbia Street
New Westminster, B.C.
V3M 1A5
Phone (604) 522-0757
FAX (604) 522-1512

Registrar and Transfer Agent

North West Trust Company

Stock Exchange Share Listings
(Class "A" and Common Shares)

Alberta Stock Exchange

Memberships

Trust Companies Association of Canada
Trust Companies Institute
Canadian Payments Association

Authorized Lenders

Canadian Mortgage and Housing Corporation
Mortgage Insurance Corporation of Canada
Alberta Home Mortgage Corporation
Saskatchewan Home Program
Home Improvement Loans

Bankers

Treasury Branches of Alberta
Royal Bank of Canada

Auditors

Touche Ross & Co.

*The Annual
General Meeting
of the
Shareholders
will be held in the
Leduc Room
Westin Hotel
10135-100 Street
Edmonton,
Alberta
Tuesday,
May 2, 1989
at 11:00 a.m.*

